

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7319

BILL NUMBER: HB 1714

NOTE PREPARED: May 1, 2003

BILL AMENDED: Apr 25, 2003

SUBJECT: Indiana Board of Tax Review matters.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR: Sen. Kenley

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues		400,000	800,000
State Expenditures			
Net Increase (Decrease)		400,000	800,000

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues		200,000	200,000
Local Expenditures			
Net Increase (Decrease)		200,000	200,000

Summary of Legislation: (CCR Amended) This bill allows approval of a late-filed or an incomplete application for an economic revitalization area (ERA) deduction or an enterprise zone inventory credit. It permits a county auditor to request the township assessor to review an ERA deduction application, and establishes procedures for appeal to local court of an ERA deduction determination or an enterprise zone inventory credit determination by the county auditor. The bill requires the Department of Local Government Finance (DLGF) to adopt rules to implement ERA deductions.

This bill provides that the next general reassessment of real property is effective in 2009. It provides that

annual adjustments of the assessed value of real property begin in 2005 instead of 2006.

The bill allows a county assessor to intervene or represent the township assessor in review proceedings before the Indiana Board of Tax Review (IBTR) if the notice of appearance is filed before the review proceeding. It permits the IBTR to make a final determination based on a stipulation. If the time for the IBTR to issue a final determination expires, the bill allows the petitioner to wait for a determination or file for *de novo* review in the tax court. This bill permits the IBTR to adopt rules to establish procedures for the conduct of proceedings before the board.

The bill sets the sales disclosure form filing fee at \$10 for calendar years 2004 and 2005 and specifies distribution of the revenue. It permits a political subdivision to receive an advance distribution from the Property Tax Replacement Fund. The bill reinstates as rules personal property assessment rules incorporated by reference into statutes and prohibits amendment or repeal of certain parts of the rules. It directs county auditors to forward sales disclosure form data to the Legislative Services Agency. It also changes the annual deadline for county auditors to provide information to the state, and imposes a penalty for failure to provide the information by the deadline.

This bill adjusts qualifications for certain civil taxing unit excessive levy appeals. It provides that the county assessor (instead of the county auditor) is responsible for publishing notice of the annual session of the county property tax assessment board of appeals. The bill permits the DLGF to provide training through the Indiana chapter of the International Association of Assessing Officers (IAAO).

This bill also makes the voluntary remediation tax credit available to a taxpayer irrespective of whether the taxpayer is participating in the state voluntary remediation program and irrespective of whether the property is located in a brownfield revitalization zone. It consolidates into a single resolution the determinations required of the legislative body to allow the credit. The bill provides that the credit does not apply to the extent that the taxpayer uses state financial assistance for the remediation. It allows carryback of a credit to the immediately preceding taxable year and it extends the credit for taxable years through 2005.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures: *Appeals:* The bill would allow the IBTR to adopt rules regarding assessment appeal procedures. Among other things, the rules may include procedures for voluntary arbitration and mediation. The rules may also create a small claims appeals track for appeals involving \$1 M or less in assessed value. Appeals involving less than \$1 M AV would automatically be subject to the small claims track, except that the taxpayer could elect to opt out of it. It is presumed that the small claims track would be somewhat streamlined and less expensive to administer than current appeals.

ERA: Under current law, after ERA deduction applications are filed with the county auditor they are reviewed by the DLGF and the allowable deductions and credits are certified back to the county auditor. Under this proposal, county auditors would be responsible for verifying the taxpayers' applications. County auditors would be able to ask township assessors to review the applications. The DLGF would no longer be involved in the day-to-day administration of these tax incentives. The DLGF would, however, still be available to advise counties as needed.

The elimination of DLGF's handling of these claims would cause a reduction of administrative expenses. The DLGF would be able to redirect the resources currently used for this function to other areas.

Explanation of State Revenues: *Sales Disclosure:* Under current law, a sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a \$5 fee of which \$1 is deposited in the state Assessment Training Fund. This bill would increase the fee to \$10 for CY 2004 and CY 2005 only. Four dollars of the additional fee would be deposited into the state General Fund, and the remaining additional \$1 would stay in the county. Over the last three years, an average of about 200,000 sales disclosure forms have been filed each year. The state's share (\$4) of the additional fee would generate an estimated \$400,000 in FY 2004, \$800,000 in FY 2005, and \$400,000 in FY 2006.

Voluntary Remediation Tax Credit: Under existing law qualifying entities can receive a credit against state tax liability for certain voluntary environmental remediation costs. The credit is limited to \$1 M statewide. This proposal would not affect revenues to the extent that \$1 M has already been set aside for the program. The maximum amount of the credit for a particular remediation project is \$100,000. The credit amount for each year is deducted from the Environmental Remediation Revolving Loan Fund Account to replenish the state General Fund. The Department of Environmental Management (IDEM) shares administrative duties with the Indiana Development Finance Authority (IDFA). No new tax credits are allowed for tax years beginning after December 31, 2005. However, this provision does not affect the ability of a taxpayer to carry forward the excess of a tax credit claimed for a taxable year that begins before January 1, 2006.

The proposal extends the deadline through 2005 and reduces the administrative requirements for receiving the credit. This bill also makes the voluntary remediation tax credit available to a taxpayer irrespective of whether the taxpayer is participating in the state voluntary remediation program and irrespective of whether the property is located in a brownfield revitalization zone. The bill consolidates into a single resolution the determinations required of the legislative body to allow the credit.

Under existing law, the project must be processed through IDEM's Voluntary Remediation Program. IDEM is required to certify costs incurred in the voluntary remediation as qualified investments. The proposal provides that not all projects must be certified through the IDEM program which should reduce processing time.

The proposal also expands the time frame for which projects may be eligible which may expand the number of projects that are eligible.

To date no entity has applied for the credit. However, streamlining the process may entice applicants. An amount of \$1 M has already been set aside for the program.

Explanation of Local Expenditures: *Data Requirements:* Under current law, county auditors are required to maintain an electronic file of property tax data for each real property parcel and each business personal property return. Auditors are required to transmit the data to the Legislative Services Agency and the Department of Local Government Finance before October 1 of the assessment year. Since tax rates are not certified until the following February 15th and tax bills are not computed until after the rates are available, the data that would be transmitted would be very incomplete. This bill changes the transmission date to March 1 of the year following the assessment date. By that time, the records should be complete.

ERA: County auditor offices would save the expense of forwarding all ERA claims and related documents to the DLGF. However, the counties could have additional administrative expenses in processing ERA claim forms. Funding for additional expenses would come from current resources.

Next Reassessment: Under the proposed three-year delay, some expenditures for performing the next general reassessment would be delayed or drawn out by three years. Reassessment expenditures are paid from the county Property Reassessment Fund.

Sales Disclosure: The county assessor (township assessor in Marion County) currently must forward a copy of the sales disclosure form to the DLGF, in electronic format if possible. This bill would require that an additional copy be forwarded to the Legislative Services Agency. If the transfer is by electronic means, then there would be no additional local cost under this provision. If the transfer is by paper copy then there could be a minimal expense for copying and postage.

Voluntary Remediation Tax Credit: With respect to the tax credit provision, the proposal could reduce administrative expenses incurred by local units. The impact would depend on local action.

Explanation of Local Revenues: *ERA:* County auditors must remove the value of ERA verified claims from the tax base in order to certify assessed values and calculate tax rates. Since county auditors would control ERA claims under this bill, it is likely that counties would have information regarding the total amount of ERA deductions in a more timely fashion than the DLGF could provide that information.

ERA / EZ: The bill would also give local officials the ability to accept a late filed ERA deduction or enterprise zone credit application as timely filed by resolution after a public hearing. This provision would give local officials more local control over tax incentive availability.

Excessive Levy Appeals: This provision makes corrections to the maximum levy appeal formula for fast growing taxing units. It also makes an adjustment to the formula to account for the reduction in AV that is due to the 100% deduction for inventory property.

Personal Property Assessment Rule: Currently, state statute directs that personal property is to be assessed under the former personal property assessment rule, but the DLGF cannot make any administrative changes to the language. The bill would reinstate the March 1, 2001, personal property tax rule as a rule, allowing administrative changes. The DLGF would not, however, be permitted to amend or repeal the current 30% assessment floor for depreciable assets, pool schedules, provisions for assessment of special property, or inventory adjustments.

PTRF Advances: Under current law, a local taxing unit can request from the county treasurer an advance of taxes collected before the normal semiannual distributions in June and December. This bill would also permit taxing units to request from the county treasurer an advance of payments received from the state Property Tax Replacement Fund. The bill would require the county treasurer to make an advance within 30 days of the request. The amount of the advance would be limited to the lesser of (1) 95% of the amount received by the county treasurer on behalf of the unit or (2) 95% of the next regular distribution. The actual amount distributed early to units under this proposal would depend on the number of requests and the amount of the advances authorized by the county treasurers. The availability of these transfers could reduce interest expenses that a unit might otherwise incur if it is forced to borrow operating money. Allowing the advances could also reduce interest earnings for the county units.

Next Reassessment: Under current law, the next general reassessment is scheduled to begin on July 1, 2004, and is to be completed by March 1, 2006, with tax billings first affected in CY 2007. Real property assessed values will be adjusted in each interim non-reassessment year beginning with the 2006 assessment date.

This bill, instead, calls for the next reassessment to begin on July 1, 2007, and to be completed by March 1, 2009, which would affect tax billings in CY 2010. Future reassessments would commence every four years beginning in 2011. The beginning of annual adjustments would begin with the 2005 assessment year.

Sales Disclosure: The county's share (\$1) of the additional fee would generate an estimated \$200,000 in each of CY 2004 and CY 2005 that would be deposited into the county sales disclosure fund.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Legislative Services Agency; Department of Revenue; IDEM; Budget Agency.

Local Agencies Affected: Township assessors; County assessors; County auditors; Urban enterprise associations; and ERA designating bodies; Enterprise Zone Boards; Civil taxing units.

Information Sources: Bill Waltz, Commissioner, Indiana Board of Tax Review (232-3786); Beth Henkel, Commissioner, Department of Local Government Finance, (232-3777).

Fiscal Analyst: Bob Sigalow, 317-232-9859.